

Monitoring and Flow Down Requirements, SDFSC

CFR 80.40 establishes monitoring requirement for grantees: “Grantees (e.g., the County Agency) are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.”

If county ADP agencies do not have the authority vested in them by their local governing body to grant funds, they may use a contract to distribute funds to accomplish a public purpose. Even through the instrument is a contract rather than a grant, the intent is the same. Therefore, the appropriate OMB circulars, federal regulations, and the authorizing statute would apply to these funds. For the SDFSC funds, these documents include:

20 USC, Title IV, Part A - Safe and Drug-Free Schools and Communities, Sections 7111 through 7116, and Sections 7141, and 7161 through 7165; 20 USC, Subchapter IX - General Provisions, Section 7801; Education Department General Administrative Regulations (EDGAR) in 34 Code of Federal Regulations (CFR), parts 74, 76, 77, 79, 80, 81, 82, 85, 97, 98, 99 and CFR 34 part 299; and Office of Management and Budget (OMB) Circulars A-87 (Cost Principles for State, Local, and Indian Tribal Governments, A-122 (Cost Principles for Nonprofit Organizations) and A-133 (Audits of States, Local Government, and Non-Profit Organizations).

The type of entity receiving the funds determines which OMB circulars apply. For example, the OMB circulars that apply to state and local governments are A-102 (administrative requirements, as codified in 34 CFR 80) and A-87 (cost principles). The OMB circulars that apply to non-profits are A-110 (administrative requirements, as codified in 34 CFR 74) and A-122 (cost principles).

As an example, the administrative requirements in 34 CFR 80 and the cost principles in OMB Circular A-87 would apply to a county’s award from ADP. If the county then awards funds to another local governmental entity to carry out elements of the program, the same regulations and cost principles apply. If the county awards funds to a non-profit organization to carry out elements of the program, the administrative requirements in 34 CFR 74 and the cost principles in OMB Circular A-122 would apply to that subaward. As the pass-through entity, the County is responsible for assuring appropriate application of administrative and cost requirements.

When the county awards federal funds to another entity to carry out elements of the purposes of the program, and when that pass through entity further awards funds to carry out the purposes of the program, each tier except the last one becomes a pass-through entity, as defined by OMB Circular A-133: Pass-through entity means a non-federal entity that provides a federal award to a subrecipient to carry out a federal program.

Federal Award is defined by the circular as: Federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Nevertheless, as the prime recipient of the federal agency, the County is responsible for monitoring every tier of subrecipients for compliance.

Administrative Requirements and Cost Principles

	OMB A-102 Uniform Administrative Requirements— State and Local Governments (34 CFR 80)	OMB A-110 Uniform Administrative Requirements for IHE, Hospitals, and other Non- profit orgs (34 CFR 74)	OMB A-87 Cost Principles for State, Local, and Tribal Governments	OMB A-122 Cost Principles for Non- profit Organizations	OMB A-133	Other EDGAR Sections that Apply to Gov's SDFSC program: 74, 76, 77, 79, 80, 81, 82, 85, 97, 98, 99 and CFR 34 part 299
ADP to Counties	X		X		X	As applicable
County ADP to other local govs.	X		X		X	As applicable
County ADP to non- profits		X		X	X	As applicable
Local govs to non- profits		X		X	X	As applicable

Administrative Requirements and Cost Principles

Vendor acting as our agent to local govs	X		X		X		
Vendor acting as our agent to non-profits*		X		X	X		

* A vendor acting as our agent to administer program contracts with recipient counties must assure that the requirements of the appropriate circulars, as well as statutory requirements and applicable regulations, are passed down to the counties and to non-profit recipients. The vendor will be required to monitor these tiers of subrecipients. ADP is ultimately responsible for the appropriate expenditure of the funds.

Procedures to Follow for Pass-Through Awards

	Award Procedures	Award Contents	Audit Requirements
State to local governmental entities	State laws and procedures for subgrants to governments (CFR 34 §80.37 (a)(1) through (4).	For subgrants to governments, state laws and procedures, plus clauses required by federal statute and executive orders and their implementing regulations.	OMB Circular A-133
State to other types of organizations	<p>Not specified for subgrants to other types of organizations.</p> <p>SDFSC statute requires competitive process; also requires peer review.</p>	The provisions of 34 CFR 74.5	<p>OMB Circular A-133</p> <p>For-profit organizations, 48 CFR part 31.2</p> <p>As the pass-through entity, ADP is required to <u>ensure</u> that subrecipients are aware of audit requirements and that subrecipients that expend more than \$300,000 a year in federal funds (from any source) have an A-133 audit (A-133 400(d) (5)).</p> <p>If there are audit findings related to SDFSC funds, the subrecipient is responsible for sending ADP a copy of the audit-reporting package. ADP is required to issue a management decision within six months and ensuring that the subrecipient implements corrective actions (A-133 400 (d) (5)).</p> <p>ADP must also ensure that any aspects of subrecipient audit reports that affect their own records are properly reflected in those records.</p>

Procedures to Follow for Pass-Through Awards

Local government to governmental entities	CFR 34 §80.37 (b) (1) through (3)	For subgrants to governments, clauses required by federal statute and executive orders and their implementing regulations, including a provision for compliance 34 CFR §80.	OMB Circular A-133
Local government to other types of organizations	Not specified. SDFSC statute requires competitive process	The provisions of 34 CFR §74.	OMB Circular A-133 For-profit organizations, 48 CFR part 31.2
Non-profits to government	CFR 34 §80.37 (b) (1) through (3) SDFSC statute requires competitive process	The provision of 34 CFR §80	OMB Circular A-133
Non-profits to other types of organizations	Not specified SDFSC statute requires competitive process		OMB Circular A-133 For-profit organizations, 48 CFR part 31.2

In addition to the programmatic review of the application, ADP is responsible for a cost analysis of all subawards:

- Are the costs reasonable and allowable? This analysis must be based on the cost principles applicable to the type of subrecipient.
- A cost breakdown in each budget category should be obtained and evaluated. Applicants should be required to provide
- The costs should be verified from a variety of sources.
- Specific elements of cost should be evaluated
- All cost data should be examined to determine the necessity, reasonableness, and appropriateness of specific costs.
- Reviews should look for “double-dipping,” direct charging of costs included in the organization’s indirect cost rate.

In addition to cost analysis of subawards, the Department is responsible for reviewing the subrecipient for evidence that is business management system:

- Are adequate to record, identify, and evaluate costs; and
- Satisfy the needs of an adequate management system to ensure that funds and property are properly safeguarded and used only for appropriate purposes under the subaward conditions.

The business management evaluation also includes a review of evidence that the subrecipient is

- properly incorporated,
- financially responsible, and
- has the business management resources available to carry out the proposed project. Does the subrecipient have experienced and qualified staff to manage the subaward? Will the subaward overwhelm their program and management capability?